

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

AMEREN ILLINOIS COMPANY)	
)	
Rate MAP-P Modernization Action Plan -)	Docket No. 15-0305
Pricing Annual Update Filing)	

**REBUTTAL TESTIMONY OF MICHAEL L. BROSCHE
ON BEHALF OF THE
PEOPLE OF THE STATE OF ILLINOIS**

AG Exhibit 3.0

SEPTEMBER 3, 2015

ILLINOIS COMMERCE COMMISSION
DOCKET NO. 15-0305
REBUTTAL TESTIMONY OF MICHAEL L. BROSCHE

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EXHIBIT LIST

- AG Exhibit No. 3.1 Revised Summary of AG Exhibit 1.3 Adjustments
- AG Exhibit No. 3.2 Excerpts of previously filed Testimony of Michael L. Brosch in Docket No. 14-0317.
- AG Exhibit No. 3.3 Ameren Response to Data Request AG 7.03, with Attachment
- AG Exhibit No. 3.4 Ameren Response to Data Request AG 6.17.
- AG Exhibit No. 3.5 Ameren Responses to Data Requests AG 6.07R, AG 7.02 and IIEC-CUB 1.03.
- AG Exhibit No. 3.6 Ameren Response to Data Request AG 6.03.
- AG Exhibit No. 3.7 Ameren Response to Data Request AG 6.04.

I. INTRODUCTION / SUMMARY

1 **Q. Please state your name and business address.**

2 A. My name is Michael L. Brosch. My business address is PO Box 481934, Kansas
3 City, Missouri 64148-1934.

4
5 **Q. Have you prepared Direct Testimony that was previously filed in this**
6 **proceeding?**

7 A. Yes. My Direct Testimony and related exhibits were prepared on behalf of the
8 People of the State of Illinois represented by the Attorney General, (“Attorney
9 General” or “AG”). These documents were identified as AG Exhibits 1.0 through
10 1.11.

11 **Q. What is the purpose of your Rebuttal Testimony in this docket?**

12 A. My testimony is responsive to the rebuttal testimony and exhibits submitted by
13 Messrs. Stafford, Weiss and Kennedy regarding the applicable State Income Tax
14 (“SIT”) rate, the calculation of Cash Working Capital and the recovery of certain
15 advertising expenses within the formula revenue requirement calculations of
16 Ameren Illinois Company (“AIC” or “Company”).

17 Additionally, notwithstanding the Illinois Appellate Court, First District’s
18 recent decision¹ regarding the reconciliation-related Accumulated Deferred Income
19 Tax (“ADIT”) amounts, I continue to believe that my proposed reduction to the
20 reconciliation amount for ADIT that I proposed in my Direct Testimony is

¹ *People of the State of Illinois, ex rel. Madigan v. Illinois Commerce Commission*, 2015 IL App (1st) 140275.

21 consistent with Generally Accepted Accounting Principles (“GAAP”) and ensures
22 that customers are not paying interest on amounts that the Company did not
23 finance.² In response to the excerpts of AIC’s testimony in Docket No. 14-0317 on
24 this topic that were attached to Mr. Warren’s Rebuttal Testimony in this case as
25 Ameren Exhibits 14.1 and 14.2 and to Mr. Blessing’s Rebuttal Testimony as
26 Ameren Exhibit 15.1, I am attaching hereto and incorporate by reference an excerpt
27 of my Rebuttal Testimony on the topic on behalf of the AG from Docket No. 14-
28 0317, captioned here as AG Exhibit 3.2. AG Exhibit 3.2 also includes an excerpt
29 from a 2014 Hawaii Public Utilities Commission decision that I had attached to my
30 Docket No. 14-0317 Rebuttal Testimony in that docket.

31 **Q. Please summarize the recommendations that are set forth in your testimony.**

32 A. My Rebuttal Testimony adopts AIC’s proposed accounting for the SIT rate change
33 issue which I challenged in my Direct Testimony. After careful review of the
34 Company’s responses to AG data requests in this area and AIC’s Rebuttal
35 Testimony, I agree that the Company’s accounting for the lower SIT rate effective
36 in 2015 is reasonable and more consistent with the treatment of SIT rate changes in
37 prior proceedings. I am withdrawing the AG-proposed ratemaking adjustment that
38 was presented in AG Exhibit 1.3 at page 1, line 2 and on page 3, line 2.

39 With regard to the AG adjustment to Eliminate Image Advertising that
40 was included at line 3 of AG Exhibit 1.3, I have reduced the adjustment to account
41 for the additional supportive documentation that has now been provided in AIC’s

² AG Exhibit 1.0 at 3:57-67.

Rebuttal Testimony and to correctly recognize certain vendor credits that are associated with certain of the disallowed charges.

The two Cash Working Capital (“CWC”) adjustments described in my Direct Testimony that; 1) reduce the Revenue Collection Lag, and 2) correct AIC’s calculation of the Electricity Distribution Tax (“EDT”) Lead day values, remain appropriate for the reasons discussed herein.³

Q. What information have you relied upon in formulating your recommendations?

A. I relied upon AIC’s rebuttal testimony and exhibits in this Docket as well as the Company’s responses to data requests submitted by the Commission Staff and the AG. I also relied upon my prior experience with the regulation of public utilities over the past 37 years, including significant experience with traditional and formula ratemaking procedures in Illinois and in other states.

Q. Have you prepared any revised accounting schedules to summarize the adjustments being proposed in your testimony?

A. Yes. AG Exhibit 3.1 is a revised calculation of the revenue requirement changes proposed in my direct testimony. The amounts stated therein are modified to comport with: 1) withdrawal of the AG adjustment to reflect the lower 2015 SIT rate, 2) updating of Cash Working Capital calculations and 3) revision of the AG’s advertising adjustment, based upon additional AIC documentation of advertising work products and cost information. As noted in my Direct Testimony, I have not,

³ Staff witness Ms. Hathhorn’s calculated EDT payment lead day value of 29.38 days is accepted by the Attorney General, as explained herein.

63 with available time and resources, been able to conduct a complete review of *all*
64 aspects of the Company's filing. As a result, the limited adjustments I am
65 proposing should be viewed as cumulative with the work and recommendations of
66 Commission Staff and other parties' witnesses.

67
68 **II. ADVERTISING EXPENSE**
69

70 **Q. How does AIC respond to your proposed advertising adjustment that appears**
71 **at page 1, line 3 of AG Exhibit 1.3?**

72 A. Ameren witness Mr. Kennedy claims that my proposed advertising adjustment
73 actually "encompasses three different adjustments" which he describes as:

- 74 • An adjustment, "...to remove \$385,000 in expense for advertising expenses
75 that [Mr. Brosch] claims are 'undocumented', and
- 76 • An adjustment, "to remove \$574,000 in expense for advertising expenses
77 the [sic][Mr. Brosch] claims are television ads through which AIC sought
78 'to install a favorable public image of its business', and
- 79 • "...the remainder (approximately \$183,000) is an adjustment to remove
80 other types of advertising."⁴

81 Within the first adjustment category, Mr. Kennedy disputes my claim that Ameren
82 failed to adequately document any of its advertising expenses in the first category,
83 but he then provides additional documentation in an effort to defend rate recovery

⁴ Ameren Exhibit 11.0 at 7:139-145.

84 of these expenses.⁵ For the second category, Mr. Kennedy acknowledges that in
85 AIC's prior formula rate case, Docket No. 14-0317, the Commission disallowed
86 Ameren's advertising expenses associated with its "Focus Forward – Manage
87 Energy Use" campaign. He then spends more than eight pages of rebuttal seeking
88 to differentiate the Company's 2014 Ad examples, numbered 20.1 and 21, from the
89 same types of image building ads that were disallowed by the Commission in that
90 prior docket.⁶ For the third "other" category of ads I have challenged, Mr. Kennedy
91 argues for rate recovery of expenses associated with Ad examples numbered 1, 37,
92 46, 54, 54.1 and 54.3 for a variety of reasons, including that the ads "educate
93 customers about the impact of EIMA" are needed as "cargo trailer artwork", to
94 leverage social media as a "channel to reach and educate customers" and to use the
95 St. Louis Cardinals network of radio stations to, "...educate customers about the
96 Company's efforts to support local business development and grow the local
97 economy, and educate customers about employment opportunities with the
98 company."⁷

99 **Q. After reviewing Mr. Kennedy's Rebuttal and his twelve new exhibits identified**
100 **as Ameren Exhibits 11.1 through 11.12, are you proposing any changes to the**
101 **advertising adjustment that was set forth in your Direct Testimony and in AG**
102 **Exhibit 1.3?**

⁵ *Id.* at 9:172-13:261.

⁶ *Id.* at 13:262 -22:456.

⁷ *Id.* at 22:461-29:605.

103 A. Yes. I have narrowed the scope of the AG-proposed disallowances. The following
 104 table summarizes the AIC advertising expenses that are now proposed for
 105 disallowance, after review and careful consideration of Mr. Kennedy's rebuttal
 106 testimony and his new advertising-related exhibits:

Revised AG Advertising Adjustment:

<u>Description</u>	<u>Ad #</u>	<u>Reference</u>	<u>Expense Adj.</u>
Energy at Work TV Ads	20.1	AG Ex. 1.8, p.1-2	\$ (328,277)
Infrastructure Video/Radio/Display	21	AG Ex. 1.8, p.3-24	(245,446)
Facebook Advertising	1, 54.3	AG Ex. 1.8, p. 29	(40,935)
St. Louis Cardinals Radio Ads	46	AG Ex. 1.8, p. 25	(23,300)
Additional Infrastructure Video Ads	54	AG Ex. 1.8, p. 26	(95,782)
Less: Credits not applied in Direct		Ameren Ex. 11.6	16,974
			<u>\$ (716,767)</u>

108
 109 The primary revision reflected in the Revised AG Advertising Adjustment is the
 110 removal of my prior disallowance of "unsupported" charges totaling \$385,000,
 111 where the limited explanations and specimen work products provided in the
 112 Company's direct testimony and in data request responses were not sufficiently
 113 detailed. After review of the "Additional Description" column of information in
 114 Ameren Exhibit 11.1 and the examples of vendor services discussed in Mr.
 115 Kennedy's rebuttal testimony,⁸ and to simplify the discussion of disputed
 116 advertising costs, I am removing the expenses previously characterized as
 117 "undocumented" from the AG's Adjustment. Additionally, upon further review of

⁸ *Id.* at 12:237-13:256. At lines 226-231, Mr. Kennedy implies that sufficiently supportive information was previously provided in AIC's response to data request AG 4.12. However, when "reproducing the requested information" in Ameren Exhibit 11.1, a column of "Additional Description" information was added by Ameren that was not produced in the Company's initial response to AG 4.12

118 Advertisement Nos. 37 and 54.1 and Mr. Kennedy's explanations for these ads,⁹
119 and to narrow the scope of disputed issues, I have removed these two
120 advertisements from the AG-proposed adjustment. Mr. Kennedy also describes
121 certain "[r]efunds in the amount of \$16,974 were included in the Account 909
122 [amounts]" that he claims are "refunds related to invoiced amounts proposed for
123 disallowance by Mr. Brosch" that should be reflected in my adjustment.¹⁰ I have
124 included these refund credits as a reduction to my revised adjustment amount.
125 Finally, Mr. Kennedy identifies charges totaling \$2,620 in his rebuttal testimony
126 that were disallowed in my direct testimony and that the Company agrees to remove
127 from its revenue requirement.¹¹ Since Ameren has already removed this amount
128 from its rebuttal revenue requirement, the remaining required AG adjustment to
129 remove image advertising expenses is reduced accordingly.

130 **Q. With respect to Advertisement Nos. 20.1 and 21, that caused AIC to incur**
131 **\$575,723 of expenses in 2014, why does Mr. Kennedy claim the cost of these**
132 **ads should be borne by ratepayers?**

133 A. First, Mr. Kennedy quotes my direct testimony where I stated, "If the principle
134 message within a particular advertisement is promoting the image that Ameren is
135 providing safe and adequate service in Illinois, by working hard and investing in
136 modernized infrastructure, the costs of that advertisement are not necessary and

⁹ *Id.* at 29:606-30:618 and 24:497-503. See also Ameren Ex. 11.12 and 11.7. Ameren Ex. 11.12 at page 3 clearly reveals AIC's advertising "vision" that includes a desire to "Position AIC as a recognized leader in energy delivery" with goals that include "1) Improve customer satisfaction, 2) Achieve favorable legislative and regulatory treatment, and 3) Renew Formula Rates."

¹⁰ *Id.* at 8:154-158.

¹¹ *Id.* at 8:159-9:171. See also Ameren Exhibit 10.6, page 2 at lines 6-8.

137 should not be borne by ratepayers.”¹² However, instead of critiquing the disputed
138 advertising expenses in 2014, based on whether the ad is promoting Ameren’s
139 public image or is necessary for any specific business purposes, Mr. Kennedy
140 instead elects to revisit and parse language from prior Commission Orders. From
141 Docket No. 13-0301, he quotes from page 41 of the Commission Order (that
142 addresses a non-contested Staff adjustment) to conclude that, “[t]he Commission
143 previously had approved 2012 EIMA-related expenses in Docket No 13-0301 for
144 advertising that similarly informed customers on how AIC would be investing
145 ratepayer funds, and how the incremental infrastructure investments would result in
146 improved service.”¹³ Then, from Docket No. 14-0317, he quotes from the
147 Commission’s Order and concludes that, “[t]he problem, from the Commission’s
148 perspective, was that the information in the advertisements “does not direct
149 attention to particular investments or types of benefits so as to generate interest in
150 the details and motivate the public to visit the Company’s website to get specific,
151 detailed information.” According to Mr. Kennedy, “AIC reviewed the 2014
152 advertising expenses included in the revenue requirement to verify that the content
153 of the advertisements gave attention to “particular investments or types of benefits”
154 and from this analysis concluded that, “...an adjustment was not necessary because
155 AIC did not incur any production and publication costs in 2014 that were associated

¹² *Id.* at 11:274.

¹³ *Id.* at 11:289-294.

156 with the specific 15- and 30-second advertisements at issue in Docket No. 14-
157 0317.”¹⁴

158 **Q. Did the Commission, in Docket No. 14-0317, find that the costs of Ameren’s**
159 **image advertising is recoverable as long as “particular investments or types of**
160 **benefits” are identified in such ads?**

161 A. No. I will not repeat my quotation from that Order that appears in AG Exhibit 1.0
162 on page 20. However, that order found the advertising costs disputed last year were
163 “goodwill advertisements” for which the related expenditures should be disallowed.
164 Advertisement Nos. 20.1 and 21, that are disputed this year, have a similar purpose
165 and message.

166 **Q. Going back another year, Mr. Kennedy claims that the Commission approved**
167 **2012 EIMA-related expenses in Docket No. 13-0301 for advertising that,**
168 **“...similarly informed customers on how AIC would be investing ratepayers**
169 **funds, and how the incremental investments would result in improved**
170 **service.”¹⁵ Did the Commission approve recovery from ratepayers of image-**
171 **building goodwill advertising in its Order in Docket No. 13-0301?**

172 A. No. Mr. Kennedy’s reference to page 41 of that Order is potentially misleading, as
173 the discussion he quotes appears under a heading “Uncontested or Resolved Issues”
174 and concludes with a statement that “Ms. Ebrey withdrew her proposed
175 adjustment.” To be clear, there was no explicit “approval” of any disputed EIMA-
176 related advertising in Docket No. 13-0301. In fact, a fair reading of the entirety of

¹⁴ *Id.* at 11
¹⁵ *Id.* at 14:291.

the Commission's Order in that docket would not ignore the resolution of several "Advertising and Public Relations Expense" matters that actually were disputed.

Q. In Docket No. 13-0301, did the Commission clearly disallow discretionary, image-enhancement advertising and other public relations expenses in instances where Ameren could not demonstrate that such expenses are necessary business expenses?

A. Yes. The Commission's Final Order in Docket No. 13-0301 specified numerous disallowances of Ameren's image-enhancing expenses incurred in 2012, within the Commission Conclusion section, along with the following excerpted findings:

A media buy extolling the virtues of AIC's distribution system is obviously *related to delivery services*, but is clearly not appropriate for cost recovery from customers since there is no need to advertise AIC's distribution system because customers have no choice for energy delivery. If an expense is necessary, however, the outcome may be different. Advertising informing customers what telephone number to call before digging near buried electric lines or how to take advantage of energy efficiency offerings is related to delivery services and necessary for safety reasons in the former example and to comply with statutorily mandated efficiency goals in the latter example. To disregard the necessity of an expense contradicts longstanding Commission practice and deep rooted protections in the Act. Nothing in the EIMA is intended to erase those protections and permit the recovery of expenses simply because they are "related" to delivery services. (Order p.91) (Emphasis in original.)

Some of the remaining expenses concern Ameren's FEFL campaign. In Docket No. 12-0293, the Commission found that the FEFL campaign is a corporate wide effort to improve Ameren's name recognition and corporate image and as such the expenses associated therewith were not recoverable from customers. (Docket No. 12-0293, Order at 64) Nothing has changed the Commission's view of the FEFL campaign. (Order p.92)

Why expenses associated with speeches by Thomas Voss, the Ameren President and Chief Executive Officer, and advertisements

213 touting Ameren's promotion of economic development should be
214 recovered from captive delivery service customers is not clear to
215 the Commission. Ameren and AIC have no need to advertise
216 delivery services and AIC is already obligated by the Act to
217 provide reliable service. The EIMA obligates AIC to upgrade its
218 distribution system and customer concerns about economic
219 development cannot influence that obligation. Therefore, the
220 Commission concurs with the AG that such efforts are promotional
221 and/or goodwill in nature and will disallow the associated \$37,556
222 paid to Simantel. (Order p.93)

223
224 Lines 100 through 108 of Ameren Ex. 24.6(Rev.) represent another
225 group of questionable expenses. These lines concern \$37,458 spent
226 to "conduct media training for managers in new positions with
227 duties to interact on camera with media." There is no indication
228 that these managers worked with delivery services. Nor is there
229 any indication that this training was not anything more than an
230 effort to improve Ameren's image in the public. Accordingly, the
231 jurisdictional allocation of this amount is disallowed. (Order p.93-
232 94)

233
234 With regard to the AG's recommended adjustment concerning Obata's
235 charge for development of Ameren's CSR Report, the Commission
236 concurs with the AG and finds that the CSR Report falls within the
237 Act's definition of "goodwill or institutional advertising." As such,
238 the cost associated with the CSR Report should not be recovered from
239 electric delivery service customers. The Commission therefore
240 disallows the \$5,989 charged by Obata as the amount allocated to
241 electric distribution customers. (Order p. 95)

242
243 The AG requests that the Commission disallow \$42,015 in AIC
244 electric distribution jurisdictional expenses representing payments for
245 media image management and enhancement by Karen Foss. The
246 Commission concurs that the training at issue was intended to
247 enhance Ameren's image in the media. Image advertising and public
248 relations are not ordinarily recoverable costs under Section 9-225(1)
249 and (2). (Order p.96)

250

251 If Mr. Kennedy had fairly applied the Commission's findings regarding rate
252 recovery of disputed image-enhancing goodwill advertising from Docket No. 13-

0301 to the Company's advertising costs incurred in 2014, he should be adopting the same disallowances that I am proposing.

Q. What documentation has the Company provided for Advertisement No. 20.1 for which AIC spent \$328,277 in 2014?

A. Ameren Exhibit 11.3 is the same two-page advertisement copy that AIC provided in Mr. Kennedy's workpapers and that I included in AG Exhibit 1.8. Ad number 20.1 is captioned "Energy At Work – TV." After this advertising was challenged in the adjustment I propose, Mr. Kennedy now characterizes this advertisement as only, "...an early conceptual creative approach for the aforementioned advertisement that would be implemented in calendar year 2015. The script referenced in Mr. Brosch's testimony (p. 23:561-77) was not published in 2014, nor will it be published in 2015."

Q. Should your direct testimony regarding Advertisement No. 20.1 now be rejected, because you relied upon Mr. Kennedy's workpapers and the copy of Advertisement No. 20.1 that he provided in workpapers "was not published"?

A. No. I will leave it to counsel to discuss any evidentiary problems created by filed workpapers that do not accurately support the Company's asserted revenue requirement. I would simply observe that Mr. Kennedy did not state that no work was done in 2014 and no costs were incurred to develop the "early conceptual creative approach" that was documented in his workpapers. A more reasonable assumption is that further work was done after 2014 to refine this conceptual approach, before advertisements were finalized and actually published. However, if this "early conceptual approach" was a largely wasted effort that is not indicative of

AIC's actual advertising messaging, then the expenses being challenged for Advertisement No. 20.1 should be disallowed as wastefully imprudent and of no tangible benefit to ratepayers.

Q. According to Mr. Kennedy, the script for Advertisement No. 20.1 "was not produced" and the final scripts within Ameren Exhibit 11.5 that were actually published in 2015 differ from the 2013 advertising that was previously disallowed by the Commission. Are the two advertisement scripts that are set forth in Ameren Exhibit 11.5 directly associated with the 2014 expenses that you propose be disallowed?

A. This is not clear from Mr. Kennedy's rebuttal, since he has not testified that the prior conceptual work was done for free or did not involve the incurrence of costs in 2014. However, even if we assume that Ameren Exhibit 11.5 is now more representative of the final work product resulting from AIC expenses incurred in 2014 (than the documentation in Ameren Exhibit 11.3 and Mr. Kennedy's filed workpapers), the final scripts in Ameren Exhibit 11.5 clearly represent image-enhancing advertising that is of no tangible benefit to AIC ratepayers.

Q. Why do you characterize Advertisement No. 20.1's final script as goodwill advertising?

A. Referring to Ameren Exhibit 11.5, it is obvious that these two TV ads provide no reference to:

- Ameren's products or services,
- The Company's web site where more information is available,

- To any energy conservation measures or programs,
- To any safety measures or warnings, or
- To any specifically actionable information useful to the customer.

Instead, the ads tout that Ameren is “installing new equipment and advanced technology to improve reliability” and “we’re also building a stronger economy in Central and Southern Illinois...by hiring more than 800 new employees.” Instead of urging customers to take any specific action that may reduce energy costs or improve public safety, the ad assures the public that Ameren is “[d]oing whatever it takes...so we’re ready for whatever comes. That’s energy at work.” This message is image building and nothing more.

Q. According to Mr. Kennedy, the ads published by Ameren in 2015 “...differ from the 2013 ‘Focus Forward – Manage Energy Use’ advertisements in several ways: they utilize actual Ameren Illinois field operations workers to be the ‘voice’ to educate customers about the improvements AIC is making to the energy delivery system...”.¹⁶ Does the use of field operations workers in the ads change the message within the ads?

A. No. The scripts set forth in Ameren Exhibit 11.5 are clearly for the purpose of creating favorable public opinion and goodwill toward the Company. The depiction of serious, hard-working employees within the ads is undoubtedly intended to further than image. For example, the visual effects planned for the “Preparation” ad

¹⁶ *Id.* at 18:359.

are designed to depict that, "...there's energy and activity marking the beginning of a busy workday."

Q. Has AIC produced any market study report documentation that reveals how Ameren's *Energy at Work* advertising concept is intended to change the customers' perceptions of, and attitudes toward the Company, rather than providing specific and useful product or service information?

A. Yes. In its response to data request AG 7.03, the Attachment is an Ameren Concept Testing Focus Group Report dated October 28, 2014. At page 4, the "Methodology" of the study is described and includes the following narrative:

The purpose of the study was to research consumers' perceptions and attitudes toward the creative concepts designed to change consumer perceptions of Ameren in Missouri and Illinois.

The study was comprised of two primary components – dial testing and a typical moderator led group discussion. The dial testing allowed participants to watch conceptual videos uninterrupted and without the influence of their peers. They were asked to focus their attention primarily on manipulating the slider in response to what they were watching, second by second.

State-specific videos were developed for Missouri and Illinois. All groups viewed two to three videos specific to the state in which they reside: an overall campaign concept video to demonstrate the campaign, *Energy at Work*, followed by tactical representations of how the concept could feature Ameren employees telling the *Energy at Work* story.

The videos were used purely to communicate the concept of *Energy at Work* to see if it could change the customers' perceptions and would not be considered market ready.

The remainder of time in each session was devoted to a discussion of J.D. Power attributes including overall satisfaction, reliability, customer service, communications, corporate citizenship, price/value, and billing/payment.

354 I have included a complete copy of the Company's response to data request AG
355 7.03 and its attachment within AG Exhibit 3.3.

356 **Q. For Advertisement No. 20.1, Mr. Kennedy claims that the “content and**
357 **delivery of the message in the final scripts (Ameren Exhibit 11.5) touch on**
358 **‘particular investments or types of benefits’”.¹⁷ Is this true?**

359 A. No. There is no identification of any specific equipment being installed or any
360 specific benefits that will be achieved. Rather than specifics, the Company simply
361 assures the public that the Company represents “Energy at Work” and that Ameren
362 is “Doing whatever it takes...so we're ready for whatever comes.” Even if the ads
363 did specify particular equipment, such references amount to nothing more than
364 image-building activity, as noted below.

365 **Q. Does Mr. Kennedy say anything about Advertisement No. 21 that would**
366 **differentiate it from Advertisement No. 20.1 that you just discussed?**

367 A. No. He claims that, “With one exception, the work examples in Advertisement No
368 21, included as Ameren Exhibit 11.4, relate to the aforementioned television
369 campaign that was produced and aired in the summer of 2014.” According to Mr.
370 Kennedy, “[t]he scripts included in Advertisement No. 21 (besides the exception
371 noted above) were intended to educate customers about specific EIMA-related
372 upgrades to electric technology and substation equipment that would impact
373 reliability and service.” Mr. Kennedy emphasizes that Advertisement No. 21
374 discusses “particular investments or types of benefits” in that they mention the

¹⁷ *Id.* at 18:367-373.

375 “Intellirupter, which is a technology to quickly detect a service interruption and re-
376 route power from another source” and “....the expansion of AIC’s substations,
377 which ensures that electric service capacity is increased so that the growing need for
378 power can be delivered to customer locations.” Mr. Kennedy argues that with these
379 references, the Advertisement No. 21 messages are not intended to foster favorable
380 public sentiment toward the Company, but rather are, “...educational in nature,
381 explaining how AIC’s new technology and equipment work, and how those
382 upgrades benefit customers.”¹⁸

383 **Q. Should the \$245,446 that Ameren spent on Advertisement No. 21 be charged to**
384 **ratepayers because they may now be more aware of the existence of the**
385 **Intellirupter technology or the expansion of AIC’s substations?**

386 A. No. The capital investment decisions driving the deployment of specific equipment
387 and the scope and timing of specific substation expansions are made by AIC
388 management. Customers need not be informed of the particulars of electric
389 distribution system design issues and clearly are not invited to participate in these
390 investment decisions. Explaining how such particular technology works a particular
391 distribution technology works provides no identifiable benefit to customers.
392 Informing customers about such investments as they are being made serves no
393 practical purpose beyond enhancing public perceptions of the Company. To state
394 the obvious, electric utility management personnel are responsible for determining
395 the specific types and quantities of investments required in order to provide safe and

¹⁸*Id.* at 19:394-20:423.

adequate service at reasonable cost and these decisions are not dependent upon input from customers after advertising campaigns highlight selected categories of new investment.

The tag lines of the scripts and display ads within Advertisement No. 21 reveal the imagery that Ameren hopes to impart, and this imagery has little to do with the deployment of specific new electric distribution technologies or substation capacity upgrades. Consider the following messages from Advertisement No. 21:

- Ameren Illinois - Improving Reliability and saving customers money¹⁹
- Ameren Illinois –So the power is there when you need it.²⁰
- It’s just one of the ways we’re building a smarter system to serve you.²¹
- These improvements mean you can count on us to grow with you and your town...And have the power there when you need it.”²²

Q. Has Mr. Kennedy provided any evidence to show that AIC customers want the utility to spend nearly \$700,000 per year,²³ advising them in TV and video ads about new investments are being made to improve service reliability, if the costs of such advertising increase the Company’s rates?

A. No. Mr. Kennedy claims that, “...the Company believes that its customers want specific information on particular improvements in their service area, and as such,

¹⁹ Ameren Ex. 11.4, at 3.

²⁰ *Id.*, at 4.

²¹ *Id.*, at 5.

²² *Id.*, at 8.

²³ Sum of Energy at Work TV (Ad 20.1) at \$328,277, Infrastructure Video/Radio/Display (Ad 21) at \$245,446 and Additional Infrastructure Video (Ad 54) at \$95,782.

these advertisements highlight two improvements to the AIC electric delivery system that AIC is implementing under EIMA: 1) the Intellirupter, which is technology to quickly detect a service interruption and re-route power from another source, thereby saving customers money; and 2) the expansion of AIC's substations, which ensures that electric service capacity is increased so that the growing need for power can be delivered to customer locations."²⁴ However, when asked in data request AG 6.17 for all reports, analyses, workpapers and other information relied upon to support a conclusion that AIC customers would be willing to pay higher rates for advertising containing such information, the Company responded:

It would be speculative to testify about the knowledge or beliefs of individual customers within the AIC service territory and how customers interpret the relationship between their desires for information and the cost of delivering the information. We assume, however, that customers are aware that there are costs associated with transmitting such messages, and that those costs are generally included in delivery rates. Please see AG 6.17 Attach, which is designated **CONFIDENTIAL and PROPRIETARY**. The research contained in AG 6.17 Attach supports the proposition that customers have shown an interest in knowing generally how AIC is spending ratepayer funds. The Company previously produced this research in Docket 14-0317.

I have included a copy of this response, along with its confidential attachment, within AG Exhibit 3.4. I continue to recommend that these advertising expenses be disallowed.

Q. Mr. Kennedy has included a copy of the AIC Facebook homepage and documentation for AIC's Facebook advertising within Ameren Exhibit

²⁴ Ameren Ex. 11.0 at 20:412-419.

11.8 and he claims that you have not explained why these advertising expense amounts should be disallowed. Is that true?

A. No. I indicated in direct testimony that “the Company’s Facebook advertising appears to be aimed at generating ‘likes’ for the Company on social media”²⁵ and Mr. Kennedy acknowledges that “likes” is “indeed a metric for gauging the reach and influence of a social channel.”²⁶

Q. Is Ameren incurring costs for Facebook advertising in an effort to build goodwill toward the Company?

A. Yes. We need look no further than Ameren Exhibit 11.8, page 2 to understand the Company’s goals through this advertising where “Facebook ads and promoted posts are the #1 way to increase fans” and “analytics revealed that fans love good works and visuals – the posts that get the most likes are community relations focused – Posts with visuals-photos and video-get more likes than posts without.”

Mr. Kennedy admits that Facebook and Twitter are free services, but that AIC views them as a “broadcast channel” that is “much like television, radio, and newspaper media in that they provide a service for a communicator to target a message to reach a certain audience.”²⁷ However, the messages provided in Ameren Ex. 11.9 illustrate that AIC is using social media to promote its infrastructure investments being made to “meet energy

²⁵ AG Exhibit 1.0 at 24:596.

²⁶ Ameren Exhibit 11.0 at 27:550.

²⁷ Ameren Exhibit 11.0 at 26:535-540.

needs of our customers” and to “improve reliability” in an apparent effort to improve public perceptions of the utility and to build goodwill.

Q. The last element of your revised Advertising Adjustment is for St. Louis Cardinals Radio ads, which Mr. Kennedy has identified as Advertisement No. 46. Why does he claim the expenses for these ads should be recoverable?

A. According to Mr. Kennedy, “[t]he messages in Advertisement No. 46 were intended to educate customers about the Company’s efforts to support local business development and grow the local economy, and educate customers about employment opportunities with the company. I have attached Advertisement No. 46 as Ameren Exhibit 11.11.” Mr. Kennedy then claims that “Advertisement No. 46 focuses on economic development and job availability messages” and that these ads discuss, “...the benefits of the Company’s commitment to supporting the growth of local economies and providing job opportunities for local citizens.”²⁸

Q. Should ratepayers be responsible for the costs of radio ads addressed to “Cards fans” that touts Ameren as a “Fortune 500 Energy Company” that is “focused on finding a winning line-up of talented people to join their team” all with the “Focused Energy For Life” tagline?

A. No. These ads do not provide any detailed information about specific job openings or any AIC utility services and products that benefit customers and

²⁸*Id.* at 28:571-585.

are for the apparent purpose of associating Ameren's name and reputation with Cardinals baseball, so as to encourage a favorable public image for the Company. Mr. Kennedy has offered no showing of any benefits to Illinois ratepayers resulting from such radio advertising and has not demonstrated that Cardinals baseball radio ads represent a necessary business expense.

III. REVENUE COLLECTION LAG DAYS.

Q. In your direct testimony, you recommended that Ameren's revenue collection lag days be reduced from the 37.15 day value recommended by Ameren witness Weiss, to 34.95 days, to reflect updated Deferred Payment Agreement ("DPA") data and to adopt a revised "middle of the front half" customer remittance assumption within Mr. Weiss' Accounts Receivable aging interval calculations.²⁹ How has the Company responded to these proposals?

A. Ameren witness Mr. Weiss has agreed with my proposal to update the Deferred Payment Arrangement study period, to utilize data from June 2014 through May 2015. With this agreed-upon change to Ameren's calculations, Mr. Weiss has calculated, "...an updated collection lag of 35.45 days, as presented in Ameren Exhibit 12.1."³⁰

Q. Did Mr. Weiss also agree with your utilization of a "middle of the front half" assumption regarding when customers remit payment within each of his Accounts Receivable aging categories?

²⁹ AG Exhibit 1.0, at 29:693-35-850.

³⁰ Ameren Exhibit 12.0 (Rev.) at 13:246-14:249.

504 A. No. The remaining 0.5 day difference between my recommended collection lag of
505 34.95 days and the Company's revised 35.45 day lag is attributable to the
506 Company's use of a mid-period remittance assumption in each Accounts Receivable
507 aging block, versus my "middle of the front half" approach. According to Mr.
508 Weiss, "Mr. Brosch provides no factual support to substantiate his proposed
509 midpoints. Mr. Brosch simply claims that it is reasonable to assume that customers
510 have a tendency to pay utility bills within due dates, if possible, to avoid late
511 payment charges." Mr. Weiss then argues that, "[t]he existence of the Company's
512 aged accounts receivables clearly demonstrate that the tariff, in and of itself, does
513 not prevent late payments by customers. In addition, I note that the tariff applies late
514 payment fees on a monthly basis, rather than a daily or weekly basis."³¹

515 **Q. Did Mr. Weiss provide any "factual support" to substantiate the mid-point**
516 **assumptions that he used in calculating the collection lag he proposes?**

517 A. No "factual support" was cited or relied upon to develop the Company's mid-point
518 assumptions in Mr. Weiss' direct testimony or in the prior lead lag studies
519 conducted by Ameren. I noted in my direct testimony that, without any supporting
520 analysis, the Company simply assumes that all of the receivables falling within the
521 various aged categories of receivables, "...are arrayed evenly around the midpoint
522 of that period...".³² In his rebuttal, Mr. Weiss concedes that the mid-point method
523 he uses is simply an assumption. He states, "[f]or purposes of calculating the
524 collection lag, I have assumed that customers will pay their bills ratably over the

³¹ *Id.*, at 19:358-368.

³² AG Exhibit 1.0, at 30:724-730.

month. Therefore, the midpoint of the first month is 15 days (*i.e.*, 30 divided by 2). I apply the same assumption that customers will pay their bills ratably over the course of the month to each aging bucket.”³³ With these competing assumptions, the Commission is left with a question of judgment regarding which simplifying assumption is most reasonable when estimating when customers actually remit payment, in the absence of supporting analysis by any party. I submit that the “middle of the front half” approach I recommended is most reasonable, for the reasons stated in my direct testimony and below.

Q. Has Mr. Weiss attempted, in his rebuttal, to develop new analytical support for his assumptions with respect to ratable customer remittance timing throughout each month?

A. Yes. Although no data analysis was performed previously, to support the ratable customer remittance assumption in direct testimony, Mr. Weiss now claims in his rebuttal that, “[t]he midpoint analysis best approximates Ameren Illinois’ experience of customer payment habits as confirmed by the analysis of actual customer payments discussed below.”³⁴ He claims in rebuttal to have “...requested information from the Company pertaining to monthly data regarding: 1) the date customers were billed and 2) the date each bill was paid.” With this new data, Mr. Weiss compares his originally “assumed” midpoint values for each Accounts Receivable aging bucket to newly calculated values based upon actual customer billing and remittance dates. From this new calculation he concludes, “[u]sing the

³³ *Id.*, at 18:341-344.

³⁴ *Id.*, at 19:358.

actual midpoints, the collection lag would be 43.75 days—an increase of 6.60 days from the 37.15-day lag used by the Company” and then concludes, “[u]sing the actual midpoints for each of the aged buckets of receivables would increase the Company’s overall cash working capital requirement.”³⁵

Q. Have you reviewed the new analysis of customer billing and remittance data that was performed by Mr. Weiss to prepare his rebuttal?

A. Yes. I reviewed the data compiled by Mr. Weiss and believe he has misinterpreted the results, by forcing the data he analyzed into his Accounts Receivable aging buckets and then drawing incorrect conclusions, as more fully explained herein.

Q. Does Mr. Weiss propose to actually rely upon his new analysis of customer billing and remittance data to request the longer revenue collection lag and correspondingly larger cash working capital allowance that he says this new analysis supports?

A. No. Instead, he states, “I believe that the aging of Ameren Illinois’ accounts receivables is the preferable approach by which to calculate the Company’s collection lag. The alternative analysis was performed for the sole purpose of validating the Company’s collection lag, as calculated from the aged accounts receivable.” In fact, rather than using the data he analyzed and discusses in his rebuttal to increase the revenue collection lag by 6.60 or 2.11 days,³⁶ Mr. Weiss is instead moving in the other direction from his initially calculated 37.15 day revenue

³⁵ *Id.*, at 21:397-22:426.

³⁶ *Id.*, at 22:412, 22:419.

collection lag to adopt my revised DPA calculations and the resulting shorter revenue collection lag of 35.45 days.

Q. Does Mr. Weiss’ new analysis of the timing of customer billings and remittances produce a reasonable estimate of the interval between billing and revenue collection, that should be relied upon to validate the Company’s proposed revenue collection lag?

A. No. While Mr. Weiss provided no discussion of the logic within his new revenue collection interval study, the Company’s responses to data requests AG 6.07R, AG 7.02 and IIEC-CUB 1.03 reveal a number of problems with Mr. Weiss’ new study, including:

- Payments received in an amount greater than the customer’s outstanding account balance were not treated as a prepayment or properly assigned a negative collection lag value, but were instead assigned a collection lag equal to zero.³⁷ The zero lag day transactions were not included in Mr. Weiss’ analysis.³⁸ Ignoring these prepaid accounts excludes over 400,000 remittance transactions in Mr. Weiss’ study period and thereby overstates the revenue collection lag.³⁹
- The analyzed population of data included all forms of customers’ payments including Deferred Payment Arrangements and Budget Billings, which are not indicative of normal customer remittance patterns.⁴⁰ Mr. Weiss separately studied the revenue collection lag for these arrangements in his direct testimony, because of their unique characteristics, but did not remove these transactions from the payment transaction data used in his new analysis.
- The convention used to “match” specific customer payments to specific bills assumed that each customer payment should be attributed to the oldest

³⁷ Ameren response to data request AG 7.02(b) and (d)(ii).

³⁸ Ameren response to data request IIEC-CUB 1.03(j).

³⁹ The number of “0” lag day transactions that are ignored in Mr. Weiss remittance study workpapers totals 424,971 remittance transactions.

⁴⁰ Ameren response to data request IIEC-CUB 1.03(f), (g), (h).

594 outstanding billed balance for prior months' service.⁴¹ Since dollar amounts
595 are not used in the analysis⁴² and Deferred Payment Arrangements are
596 included, extremely long remittance lags can result for numerous partial
597 payments by individual customers using this convention.
598

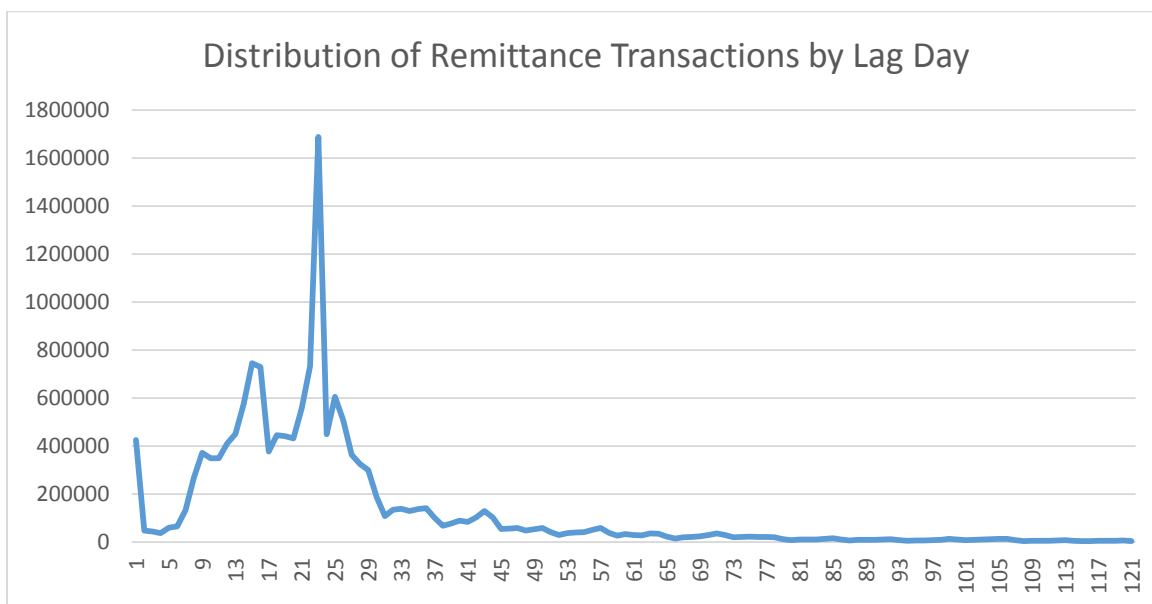
599 I have included a copy of Ameren responses to data requests AG 6.07R, AG 7.02
600 and IIEC-CUB 1.03 containing this information within AG Exhibit 3.5.

601 **Q. In addition to these problems with his analysis, how did Mr. Weiss interpret**
602 **the customer billing and remittance data that causes the results to be distorted**
603 **in his rebuttal testimony?**

604 A. The table at pages 21-22 of Mr. Weiss' rebuttal reveals that he forced the actual
605 customer remittance data that he analyzed into the 1-30 day, 31-60 day, 61-90 day,
606 91-120 day and 120+ day Accounts Receivables aging groups he has employed,
607 rather than simply using the entire population of data to calculate the overall
608 revenue collection lag. Analyzing the billing and remittance interval data solely
609 within Mr. Weiss' pre-determined Accounts Receivables aging groups does not
610 allow the data to reveal an overall collection lag result, which is the only meaningful
611 result needed from the analysis. Notably, the remittance transactions in Mr. Weiss'
612 study are concentrated around the 21st day when residential customer payments are
613 due. This can be observed in the following graph showing the distribution of
614 remittance lag days derived from Mr. Weiss' study data:

⁴¹ Ameren response to data request AG 7.02(a).

⁴² Ameren response to data request IIEC-CUB 1.03(e).



Mr. Weiss does not use this overall distribution of remittances lag data to test his overall collection lag, but instead segments this payment lag data into 30-day wide interval buckets where the concentration of total remittances near the residential payment due date is obscured.⁴³ As noted above, this approach completely ignores customer pre-payments recorded as a zero day collection lag. More importantly, Mr. Weiss ignores the overall lag day distribution within his remittance study data, by calculating only the, “actual midpoints for each of the aged receivables buckets...”⁴⁴ and in testimony he describes only these segmented variances and not the overall result.

Q. What have you concluded from the summarized customer remittance data that was used by Mr. Weiss?

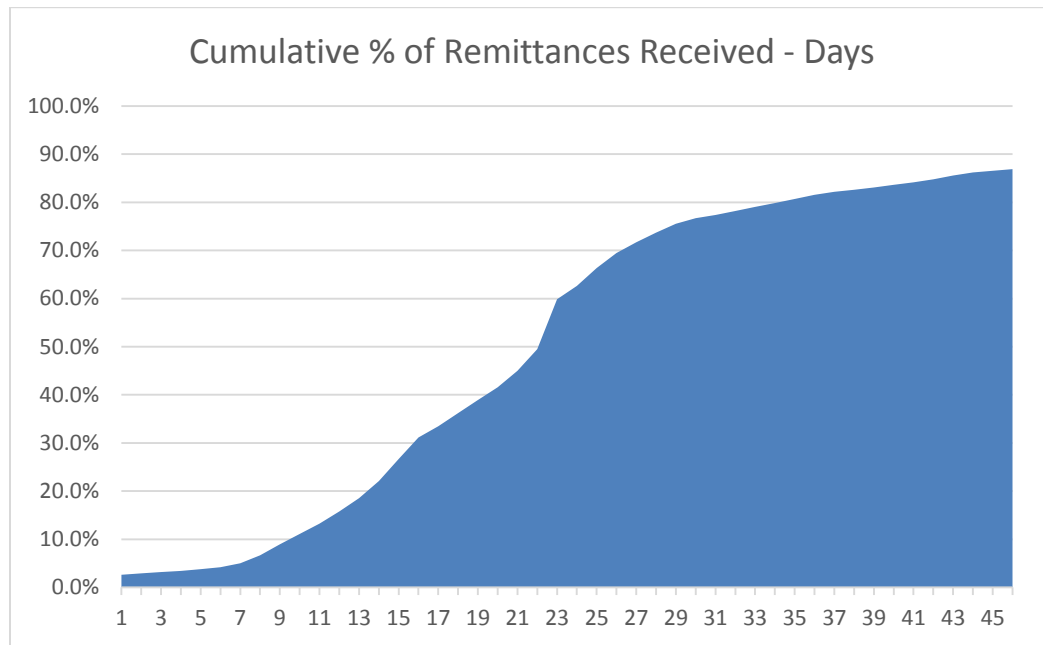
⁴³ Ameren Exhibit 12 (rev) at 21:400-413.

⁴⁴ *Id.*, at 22:417.

627 A. The offered data, while of limited quality because of the problems noted above, is
628 more supportive of the AG-recommended revenue collection lag than what Mr.
629 Weiss is proposing. Had Mr. Weiss simply averaged together the timing of all of
630 the customer billing and remittance transactions he compiled, without forcing the
631 data into his analysis buckets, the actual data would support a revenue collection lag
632 of 33.73 days, which is 1.7 days shorter than the 35.45 day revenue collection lag
633 that is proposed in my direct testimony and 2.2 days shorter than Mr. Weiss'
634 modified position. As an example, in the September 2014 remittance data analyzed
635 by Mr. Weiss, the average age of all remittances received in that month is only
636 30.52 days, which is far below the revenue collection lag value being proposed by
637 Mr. Weiss or by me in testimony.

638 **Q. Does the data that Mr. Weiss compiled show that the majority of customer**
639 **remittances throughout the entire study period actually occur within 30 days of**
640 **the related billing date?**

641 A. Yes. A graph depicting the cumulative number of customer remittances received
642 within specified numbers of days after the billing date Mr. Weiss "matched" to each
643 remittance appears as follows:



The study data indicates that approximately 77 percent of all customer remittances included in Mr. Weiss' analysis were received within 30 days of the associated billing dates.⁴⁵ This fact suggests that AIC's revenue collection lag of 30.67 days, that was previously determined to be reasonable by the Commission in Docket No. 12-0001,⁴⁶ was apparently excessive and that the much longer revenue collection lags being considered in this Docket No. 15-0305 are even more significantly overstated. However, until a more systematic analysis of actual customer remittances is completed, I recommend that the Commission adopt the modestly lower 34.95 day revenue collection lag that was sponsored in my direct testimony.

Q. Do you have any further recommendations with respect to the Company's lead lag study that was updated in this docket?

⁴⁵ These data are not dollar weighted. In response to data request AG 6.13, Ameren confirmed that more than 75 percent of all of the remittances received in each month are attributable to accounts that are 30 days old, or less.

⁴⁶ AG Exhibit 1.0 at 27:646 and footnote 19.

656 A. Yes. I am encouraged by Mr. Weiss' newly discovered access to actual customer
657 remittance data and believe that such data, if properly analyzed, could produce more
658 reliable estimates of the revenue collection lag than can result from the continued
659 use of Accounts Receivables aging data with assumed ratable remittance patterns.
660 Given the large change in the revenue collection lag that is being considered in this
661 docket, relative to the values approved in Docket No. 12-0001, and the importance
662 of the revenue lag day value in determining cash working capital, I recommend that
663 a limited-scope analysis of only the revenue lag portion of the Company's lead lag
664 study be undertaken in the next AIC formula rate case proceeding. The Attorney
665 General is willing to engage in a collaborative process with AIC personnel before
666 the next filing is made, to ensure that useful data is efficiently gathered and
667 analyzed, in an effort to accurately update the revenue lag day calculations in the
668 next rate case.

669
670 **IV. ELECTRICITY DISTRIBUTION TAX LEAD DAYS.**
671

672 **Q. In your direct testimony, you recommended that the Electricity Distribution**
673 **Tax ("EDT") payment lead day value not be dramatically revised, as proposed**
674 **by Mr. Weiss, in order to recognize the delayed receipt of a credit memo for**
675 **overpaid EDT in prior years. Does AIC witness Weiss agree?**

676 A. No. According to Mr. Weiss, "...the Company has received credit memoranda
677 associated with EDT in each of the past six years, including a credit memorandum
678 received from the IDOR during December 2014 pertaining to payments made

during 2013” and “[t]he credits were received between one and three years after the end of calendar year for which EDT payments were made by the Company.”⁴⁷ Mr. Weiss argues that, “[t]he true-up payments and credit memoranda represent actual cash flows that should be reflected in the lead-lag study” and “[t]he Company should not be penalized for the timing of legitimate cash flows that are outside of its control.”⁴⁸

Q. In your direct testimony, you explained how AIC collects the EDT from customers through its “Tax Additions” tariff and stated, “...it is entirely possible that Ameren customers, rather than the Company’s shareholders, have advanced the EDT funds that were used to pay excessive EDT amounts that were later returned via credit memoranda to the utility.”⁴⁹ How has the Company responded to this concern?

A. Mr. Weiss does not discuss when and how EDT credits are reconciled through the Company’s Tax Additions tariff. Instead, he simply recites the statutory installment dates associated with the Company’s EDT payments and compares these dates to the revenue lag. From this purely conceptual discussion, he concludes:

Therefore, customers’ payments for February and March, on average, are received *after* the Company has remitted its first quarterly payment of EDT, on March 15th. The same cycle would apply for each quarter. Thus, in each quarter, the shareholders advance funds for payment of two-thirds of the EDT tax. Therefore, Mr. Brosch’s concern is without merit.⁵⁰

⁴⁷ Ameren Ex. 12.0, at 6:104-108.

⁴⁸ *Id.* at 7:115.

⁴⁹ AG Exhibit 1.0, at 37:881-907.

⁵⁰ Ameren Exhibit 12.0, at 8:143-9:146.

701
702 This is a superficial discussion that does not answer the question I raised about how
703 and when EDT credit memoranda are allowed to benefit ratepayers. In response to
704 data request AG 6.03, the Company admitted that this discussion by Mr. Weiss does
705 not address when customers are charged for EDT amounts that are later returned as
706 credit memoranda and reference is made to Mr. Weiss's rebuttal which is said to
707 "respond to the concerns raised by Mr. Brosch." I have included a copy of
708 Ameren's response to data request AG 6.03 within AG Exhibit 3.6.

709 **Q. Does another Ameren witness address how the Tax Additions tariff passes**
710 **credit memoranda benefits to AIC ratepayers?**

711 A. Yes. Mr. Stafford attempts to address my concern where he argues that, "...the
712 credit memorandum had the effect of reducing revenue requirement in the 2013
713 reconciliation year by over \$6.2 million. If the Commission believes that Mr.
714 Brosch's concerns regarding advancement of funds by ratepayers has merit, I have
715 calculated an alternative electric distribution expense lead which takes into account
716 timing of the credit memorandum in the calculation of revenue requirement, of 0.85
717 days."⁵¹ Unfortunately, this alternative EDT lead day value sponsored by Mr.
718 Stafford does not remedy the problem with how and when Ameren recovered its net
719 EDT expenses from customers.

720 **Q. Please explain how AIC treats the credit memoranda received for EDT in**
721 **determining charges to ratepayers.**

⁵¹ Ameren Exhibit 10.0, at 15:320-16:328.

722 A. The EDT credits of concern to Mr. Weiss are flowed through the ratemaking
723 process on a delayed basis, long after the tax liability period to which each credit
724 applies. An example can be observed in the \$6,709,666 credit that appears as the
725 last entry in the table on page 7 of Mr. Weiss' rebuttal testimony. Because this
726 EDT credit that was issued to AIC in 2014 pertains to a "Liability Period" that is
727 calendar year 2013, Mr. Weiss' lead lag study treats this transaction as a prepaid
728 expense that requires shareholders to pay cash well in advance of the lead lag study
729 period. What is missing from Mr. Weiss' analysis is the fact that this same credit is
730 passed to ratepayers on a delayed basis, which fully offsets Ameren's advance
731 payment of EDT that is later credited back to the Company. In AIC's response to
732 data request AG 6.04, the Company indicated that this \$6.7 million credit
733 memorandum pertaining to the 2013 EDT tax year was not recorded by AIC until
734 2014, the year it was received. Then, because the 2014 FERC Form 1 recorded data
735 is not considered in formula ratemaking until 2015, the amounts of EDT collected
736 from customers is not reduced for the \$6.7 million EDT credit memorandum until
737 rates are changed in 2016, *a full three years after the EDT tax year to which the*
738 *credit relates*. I have included a copy of the Company's response to data request
739 AG 6.04 and its Attachment within AG Exhibit 3.7.

740 **Q. What does the delayed recognition of EDT credits through Ameren's Tax**
741 **Additions Tariff mean in the context of Mr. Weiss' lead-lag study treatment of**
742 **the EDT credit memoranda?**

743 A. The Company's lead lag study revenue lag calculations do not recognize that
744 Ameren is collecting EDT from customers using accounting procedures that flow
745 EDT credit memoranda to customers on a delayed basis. Therefore, the Company's
746 lead lag study treatment of EDT cash flows should also not recognize prior year
747 credit memoranda, and should not treat such credits as prepaid taxes, as proposed
748 by Mr. Weiss for the first time in this docket.

749 **Q. Should Mr. Stafford's alternative lead day calculation for EDT be employed**
750 **because of the concern you raise regarding the delayed crediting of EDT credit**
751 **memoranda to customers?**

752 A. No. Mr. Stafford's revised calculation reduces the assumed prepayment value
753 assigned to EDT credit memo line items in Mr. Weiss' study by one year, so as to
754 consider the year the credit memo amount was recorded in the FERC Form 1, rather
755 than attributing the credits to the prior "liability period" used by Mr. Weiss.⁵² Mr.
756 Stafford's alternative approach continues to ignore the fact that ratepayers do not
757 benefit from the credit memoranda until two years after they are recorded in the
758 FERC Form 1. Mr. Stafford's alternative 0.85 day EDT lead calculation continues
759 to treat EDT credit memos as a prepayment of EDT tax, with no corresponding
760 accounting for the delayed return of such EDT credits to ratepayers through the
761 formula ratemaking process and should be rejected.

762 **Q. Has any Commission Staff witness challenged the Company's proposed new**
763 **treatment of EDT credit memoranda?**

⁵²

Ameren response to data request AG 6.01.

764 A. Yes. Staff witness Ms. Hathhorn addresses the EDT payment lead issue, stating,
765 “[m]y calculation changes two inputs from the Company, those being the removal
766 of the 2013 tax true up payment and removal of the 2012 credit memo amount. This
767 results in the EDT CWC factor changing from a negative expense lead of (49.17) to
768 a positive lead of 29.38....[t]he Company has not demonstrated that inclusion of
769 these two items is reasonable. The Company agrees that its previous calculation of
770 the EDT expense lead did not include true up payments and amounts from credit
771 memos, although credit memos also occurred during the timeframe of the last lead
772 study. It further agreed that its prior calculation was not in error.”[footnotes
773 omitted]⁵³

774 **Q. In your direct testimony, you proposed using a revised EDT payment lead of**
775 **31.51 days, based upon the Company’s response to data request AG 3.04.⁵⁴ Do**
776 **you object to use of Staff witness Ms. Hathhorn’s slightly lower proposed 29.38**
777 **EDT lead day value?**

778 A. No. I agree with her proposal to exclude all prior year true-up and credit
779 memoranda transactions in calculating the appropriate lead day value and I have
780 included the Staff lead value in preparing cash working capital calculations within
781 AG Exhibit 3.1, pages 3 and 4, at lines 18 and 48.

782

783 **V. CONCLUSION AND RECOMMENDATION.**

784

⁵³ ICC Staff Exhibit 2.0, at 4:84-95.

⁵⁴ AG Exhibit 1.0, at 38:912-918.

785 **Q.** **What is your recommendation regarding the revenue requirement to be**
786 **determined for Ameren in this Docket?**

787 A. I recommend that AIC's delivery service revenue requirement be adjusted to reflect
788 the recommended changes described in my rebuttal testimony, as quantified in AG
789 Exhibit 3.1.

790 **Q.** **Does this conclude your testimony at this time?**

791 A. Yes.